Health and Welfare Canada
Santé et Bien-être social Canada

SOCIAL SECURITY AGREEMENT

SUMMARY

Canada and the United States

INCOME
SECURITY PROGRAMS

Canada

Foreword

The Agreement on Social Security between Canada and the United States was signed on March 11, 1981, and came into force on August 1, 1984.

This summary describes in general terms how the Agreement may help individuals qualify for Canadian or United States benefits. It is intended for persons residing in Canada.

It should be noted that, in addition to the entitlement conditions for benefits outlined in this summary, other conditions may be stipulated in the social security laws of either country. Further information about the conditions for entitlement to Canadian benefits and how they affect a particular case may be obtained from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest Centre can be found in the federal government listing of the telephone directory under "Health and Welfare Canada".

Only the United States Social Security Administration can provide specific information on the entitlement conditions for United States benefits and how they affect a particular case. To avoid delays or loss of benefits, persons who think they may be eligible for one of the United States benefits described in this summary should submit an application. Information on how to apply is given in the last page of this summary.

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Introduction

The Agreement on Social Security between Canada and the United States coordinates the Canadian and United States programs which protect individuals in the event of old age, retirement, disability or death. It has three basic objectives:

(1) to ease or eliminate restrictions on the payment of social security benefits abroad;

(2) to eliminate situations in which a worker may have to contribute to the social security programs of both countries for the same work;

(3) to assist migrants in qualifying for benefits based on the periods they have lived or worked in each country.

The Canadian benefits included in the Agreement are those paid under the Old Age Security program and the Canada Pension Plan. These benefits are described in pages 1 to 8.

The United States benefits included in the Agreement are the retirement, disability and survivors benefits payable under the United States Social Security system. These benefits are described in pages 9 to 15.

Canadian Old Age Security Benefits

Canada's Old Age Security Act provides for three benefits: the basic pension, the Guaranteed Income Supplement and the Spouse's Allowance.

The Old Age Security Pension

The basic Old Age Security pension is a monthly benefit paid to persons who have reached age 65 and who meet the residence requirements. For receipt of the pension in Canada, this requirement is a minimum of 10 years of residence in Canada after reaching age 18. For indefinite receipt of the pension abroad (including the case of a person applying for a pension while residing abroad), the requirement is a minimum of 20 years of residence in Canada after reaching age 18. A person who is receiving a pension in Canada but who has not completed 20 years of residence may, on leaving Canada, receive the pension only for the month of departure and for the six following months.

Through the Agreement, an individual who has at least one year of residence in Canada after reaching age 18 and since January 1, 1952, but not residence of sufficient length to be entitled to an Old Age Security pension, may use periods of contributions to the United States Social Security system after reaching age 18 and since January 1, 1952, to satisfy the entitlement conditions for a pension*. For example, a person who has resided in Canada for nine years after reaching age 18 and since January 1, 1952, may qualify for a pension payable in Canada if he or she has contributed to the United States Social Security system for at least one year after reaching age 18 and since January 1, 1952.

As well, through the Agreement, a person who has completed at least one year of residence in Canada after reaching age

* In such a case, however, the 10 years of combined residence and contributions must all be since January 1, 1952.

18 and since January 1, 1952, but not the 20 years required for receipt of the Old Age Security pension abroad on an indefinite basis, may use periods of contributions to the United States Social Security system after reaching age 18 and since January 1, 1952, to satisfy the 20-year condition*.

The Guaranteed Income Supplement

The Guaranteed Income Supplement is a monthly benefit payable in addition to an Old Age Security pension to a beneficiary who has little or no income other than the basic Old Age Security pension. The supplement is essentially payable only to residents of Canada. However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

The Spouse's Allowance

The Spouse's Allowance is a monthly benefit payable to the 60- to 64-year-old spouse of a beneficiary of the Guaranteed Income Supplement and to a widowed person in the same age group who has little or no personal income. At age 65, the Spouse's Allowance is replaced by the Old Age Security pension. At least 10 years of residence in Canada after reaching age 18 are required to qualify for a Spouse's Allowance. Like the Guaranteed Income Supplement, the Spouse's Allowance is essentially payable only in Canada. However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

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* In such a case, however, the 20 years of combined residence and contributions must all be since January 1, 1952.

Through the Agreement, an individual who has at least one year of residence in Canada after reaching age 18 and since January 1, 1952, but not the 10 years required to be entitled to a Spouse's Allowance, may use periods of contributions to the United States Social Security system after reaching age 18 and since January 1, 1952, to satisfy the ten-year condition*.

Calculating Old Age Security Benefits under the Agreement

If entitlement to an Old Age Security pension is established by adding together periods of residence in Canada and periods of contributions under the United States Social Security system, the amount of the pension is equal to 1/40th of a full pension for each complete year of residence in Canada after reaching age 18 and since January 1, 1952.

The amount of the Spouse's Allowance is determined by the couple's income or, in the case of a widowed person, by the personal income of the beneficiary.

Payment of Old Age Security Benefits

Old Age Security benefits are paid by Health and Welfare Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

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* In such a case, however, the 10 years of combined residence and contributions must all be since January 1, 1952.

Canada Pension Plan Benefits

The Canada Pension Plan provides benefits in the event of retirement, disability or death of a contributor. The Plan, which began operation in 1966, covers virtually all persons engaged in paid employment or self-employment in Canada, except in Quebec where a similar plan, the Quebec Pension Plan, is in effect.

Canada Pension Plan benefits may be paid anywhere in the world, without any restriction whatsoever.

The Canada Pension Plan Retirement Pension

A retirement pension is a monthly benefit payable to a contributor who has reached retirement age and who has made contributions to the Plan in at least one year.

The normal retirement age is 65. A person who has reached this age may receive a retirement pension even if he or she is still working. A retirement pension may also be paid to a contributor aged between 60 and 64 who has completely ceased paid employment or whose employment earnings, at an annual rate, do not exceed the amount of the maximum annual retirement pension payable to a person whose pension begins at age 65.

If an individual starts to receive a retirement pension before age 65, the pension is reduced by 0.5 percent for each month between the month the pension begins and the month of the person's 65th birthday. The reduction is permanent. Conversely, if the pension starts after the individual reaches age 65, it is increased in a comparable manner.

Canada Pension Plan Disability Benefits

A disability pension is a monthly benefit payable to a contributor who is disabled and who has made contributions to the Plan in at least five of the 10 or in two of the three calendar years immediately preceding disablement.

A contributor is considered to be disabled if he or she has a physical or mental disability which is both severe and prolonged. "Severe" means that the individual cannot regularly pursue any substantially gainful occupation. "Prolonged" means that the disability is likely to be long continued and of indefinite duration, or is likely to result in death.

A monthly child's benefit is also payable for each dependent child of a disabled contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

Through the Agreement, a person who has some periods of contributions to the Canada Pension Plan, but who has not made sufficient contributions in the years immediately preceding disablement, may use periods of contributions under the United States Social Security system to satisfy the conditions for entitlement to a Canada Pension Plan disability benefit.

Canada Pension Plan Survivors' Benefits

A surviving spouse's pension is a monthly benefit payable to the surviving spouse of a deceased contributor who has made contributions to the Plan for a minimum period (between three and 10 calendar years, depending on the age of the contributor at the time of death). Surviving spouse's pensions are payable on the same

conditions to widows and widowers. They are payable even if the surviving spouse remarries.

The "surviving spouse of the contributor" is the person of the opposite sex living with the contributor in a conjugal relationship (whether or not there was a marriage) at the time of death or, if there is no such person, the legal spouse (even if that legal spouse was not living with the contributor at the time of death). If the surviving spouse and deceased contributor were not legally married, they must have lived together for at least one year.

To qualify for a benefit, a surviving spouse who is under age 35 at the time of the contributor's death must be caring for a child of the contributor or he or she must be disabled as defined by the Canada Pension Plan.

A monthly orphan's benefit is also payable for each dependent child of the deceased contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

A death benefit is payable to the estate of a deceased contributor who has made contributions to the Plan for a minimum period (between three and 10 calendar years, depending on his or her age at the time of death).

Through the Agreement, when a spouse or a child is not entitled to a survivor's benefit because the deceased had not completed sufficient periods of contributions to the Canada Pension Plan, periods during which the deceased had paid contributions under the United States Social Security system since January 1, 1966, may be used to satisfy the conditions for entitlement to a Canada Pension Plan survivor's benefit.

Calculating Canada Pension Plan Benefits under the Agreement

The retirement pension, the surviving spouse's pension payable at age 65 and the death benefit are based on the earnings of the contributor while under the Canada Pension Plan and on the number of years of contributions to the Plan. The disability pension and the surviving spouse's pension payable before age 65 are composed of two parts: a benefit related to the earnings of the contributor and a flat-rate benefit. Benefits paid on behalf of a contributor's children are all flat-rate.

If entitlement to a Canada Pension Plan benefit is established under the Agreement, the flat-rate component is calculated in proportion to the periods during which contributions were made to the Plan relative to the minimum period of contributions required for entitlement to the benefit. The earnings-related component is calculated in the same way as is a benefit which is paid without recourse to the Agreement.

Payment of Canada Pension Plan Benefits

Canada Pension Plan benefits are paid by Health and Welfare Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

United States Benefits Included in the Agreement

Retirement Benefits

A monthly retirement benefit is payable under the United States Social Security system to a person who has reached retirement age, who has entirely or substantially ceased working, and who has paid contributions for a prescribed minimum period.

If a person is receiving a retirement benefit, monthly benefits also can be paid to his or her:

- wife or husband aged 62 or older;
- wife or husband under age 62 if she or he is caring for a child who is under age 16 or disabled and who is receiving a benefit based on the retired worker's earnings;
- divorced wife or husband aged 62 or older, provided the marriage lasted 10 years or more;
- unmarried children under age 18 (or under age 19 if attending an elementary or secondary school full time);
- unmarried children aged 18 or older who were severely disabled before age 22 and who continue to be disabled.

Generally, a marriage must have lasted at least one year before family members of a retired worker can receive monthly benefits.

A divorced spouse who has been divorced at least two years can receive benefits at age 62 whether or not his or her former spouse receives them. However, the former spouse must be eligible for Social Security benefits, regardless of whether he or she has retired.

The normal retirement age under the United States Social Security system is 65. A full retirement benefit is payable at this age without actuarial reduction.

A retirement benefit is also payable as early as age 62. However, when a benefit is paid before age 65, the amount of the pension is reduced according to the number of months between the time the pension starts to be paid and the time the individual reaches age 65. The reduction is permanent. This is also the case for a benefit paid to the spouse of a retired worker if the spouse starts receiving benefits before age 65 and is not caring for a child who is entitled to benefits.

It is not necessary to cease work entirely to receive a benefit. However, individuals under age 70 are subject to a retirement test that may cause their benefits to be reduced if they work more than a specified amount. (Persons aged 70 or older can work with no effect on their benefits.) The United States Social Security Administration can advise an individual on the effect of the retirement test in his or her particular case.

In order to be entitled to a retirement benefit (and in order for his or her spouse and children to be entitled to a benefit), a person must have contributed to the United States Social Security system for a prescribed minimum period. This minimum period can vary from 1 1/2 to 10 years (6 to 40 quarters), depending on the person's date of birth. Persons who reach age 62 in 1989, for example, need 9 1/2 years (38 quarters) of contributions; this will increase to 10 years (40 quarters) for those who reach age 62 in 1991 or later.

Through the Agreement, a person who has contributed to the United States Social Security system for at least 1 1/2 years (6 quarters), but who has not contributed for a period of sufficient length for entitlement to a retirement benefit, may

use periods of contributions to the Canada Pension Plan to satisfy the entitlement condition. Each year of contributions to the Canada Pension Plan is considered equivalent to four quarters of coverage under the United States Social Security system.

Disability Benefits

A monthly disability benefit is payable under the United States Social Security system to a person who is disabled, who is under age 65, and who has paid contributions for a prescribed minimum period.

If a person is receiving a disability benefit, monthly benefits can also be paid to his or her spouse and unmarried children on the same conditions that apply to a retirement benefit. (See page 9 for details.)

A person is considered disabled when he or she has a severe physical or mental impairment, or combination of impairments, that prevents him or her from doing any substantially gainful work for a year or more, or that is expected to result in death. The work does not necessarily have to be the kind of work done before disability; it can be any gainful work found in the national economy.

Once a person is receiving a disability benefit, the benefit continues as long as the individual remains medically disabled and is not engaged in substantially gainful activity. The case is periodically reviewed to see if the person is still disabled. However, the benefit stops only if the individual has medically improved and is able to perform substantial gainful activity.

In order to be entitled to a disability benefit (and in order for his or her spouse and children to be entitled to a benefit), a person must have contributed to the United States Social Security system for a prescribed minimum period. This mini-

mum period can vary from 1 1/2 to 10 years (6 to 40 quarters), depending on the person's age at the time of becoming disabled. As well, unless a person is under age 31 or disabled due to blindness, he or she must also have contributed to the United States Social Security system for at least five of the 10 years preceding disablement (i.e. for at least 20 quarters during those 10 years).

Through the Agreement, a person who has contributed to the United States Social Security system for at least 1 1/2 years (6 quarters), but who does not have enough total and/or recent credits for entitlement to a disability benefit, may use periods of contributions to the Canada Pension Plan to satisfy the entitlement conditions. Each year of contributions to the Canada Pension Plan is considered equivalent to four quarters of coverage under the United States Social Security system.

Survivors Benefits

A monthly survivor benefit is payable under the United States Social Security system to the following survivors of a deceased worker who had paid contributions for a prescribed minimum period:

- a widow or widower -- full benefits at age 65, or at any age if caring for a child of the deceased worker who is receiving benefits and is under age 16 or disabled. Reduced benefits can be received at age 60 (or at age 50 if disabled) is not caring for a child. Remarriage after age 60 (50 if disabled) will not prevent the payment of benefits provided the worker died before the remarriage.
- Unmarried children under age 18 (or under age 19 if attending an elementary or secondary school full time). Children

who were disabled before age 22 can receive benefits at any age as long as they remain disabled.

- Divorced widow or widower after 10 years of marriage -- full benefits at age 65, or at any age if caring for a child of the deceased worker who is receiving benefits and is under age 16 or disabled. Reduced benefits can be received at age 60 (or at age 50 if disabled) if not caring for a child. Remarriage after age 60 (50 if disabled) will not prevent the payment of benefits.
- Divorced widow or widower married less than 10 years -- at any age if caring for a child of the deceased worker who is receiving benefits and is under age 16 or disabled.

A lump-sum death payment is payable in addition to any monthly survivors benefits. It is paid to the surviving widow(er) who either was living in the same household as the deceased at the time of death or was eligible for or entitled to a survivor benefit for the month of death. If there was no surviving widow(er), it is paid to a child or children eligible for or entitled to survivors benefits for the month the worker died.

The amount of the survivors benefit payable to an individual under age 70 may be reduced if he or she works. (Persons aged 70 or older can work with no effect on their benefits.) The United States Social Security Administration can advise an individual on the effect of the work test in his or her particular case.

In order for the survivors of a deceased worker to be entitled to survivors benefits or a death payment, the deceased must have contributed to the United States Social Security system for a prescribed minimum period. This minimum period can vary from 1 1/2 to 10 years (6 to 40 quarters), depending on the deceased's age at death.

Through the Agreement, when a survivor is not entitled to a survivor benefit or death payment under the United States Social Security system because the deceased had not completed sufficient periods of contributions, periods during which the deceased contributed to the Canada Pension Plan may be used to satisfy the entitlement condition for a survivor benefit or death payment. Each year of contributions to the Canada Pension Plan is considered equivalent to four quarters of coverage under the United States Social Security system. In all instances, however, the deceased must have made actual contributions to the United States Social Security system for at least 1 1/2 years (6 quarters).

Calculating United States Benefits

When a United States Social Security benefit becomes payable as a result of adding together periods of coverage under the Agreement, the United States Social Security Administration determines an initial benefit based on the contributor's earnings in the United States as if his/her entire career had been completed under the United States system. This initial benefit is then reduced to reflect the fact that periods of contributions to the Canada Pension Plan were used to make the benefit payable. The amount of the reduction depends on the amount of credits under the United States Social Security system: the more United States credits, the smaller the reduction, and the fewer United States credits, the larger the reduction.

Payment of United States Benefits

United States benefits are paid by the Social Security Administration directly to the beneficiary, whether he or she lives in the United States, Canada or elsewhere.

Persons living in the United States or Canada can have their benefits deposited by the Social Security Administration directly into their bank account. For more information on "direct deposit" of United States benefits, applicants or beneficiaries should contact the Social Security Administration.

Determining the Applicable Legislation

Without an agreement, a person might be required to contribute both to the Canada Pension Plan and to the United States Social Security system for the same work. The Agreement on Social Security between Canada and the United States eliminates such situations of "dual coverage".

General Rule

Under the Agreement, an employee is normally subject only to the legislation of the country in which he or she works and is, therefore, exempt from contributions under the legislation of the other country in respect of the same work.

Temporary Postings in the United States

An exception to the general rule applies in the case of a "detached worker" (e.g. an employee who normally works in Canada and is covered under the Canada Pension Plan in respect of that work, and who is

sent by his or her employer to work in the United States for a temporary period lasting no more than 60 months). Under the Agreement, such a worker is able to continue his or her coverage under the Canada Pension Plan and, while this coverage remains in effect, is exempt from contributions under the United States Social Security system in respect of the same work.

Government Employment

Another exception to the general rule applies to persons in government employment for one of the countries performing their duties in the other country. They are normally subject to the social security laws of the latter country only if they are citizens or permanent residents of that country.

Residence under the Old Age Security Act

In addition to the coverage provisions just described, the Agreement between Canada and the United States contains another provision which ensures that a person who is covered under the Canada or Quebec Pension Plan while residing in the United States is also covered by the Old Age Security Act which is usually based only on residence in Canada. Thus, during that period, complete coverage is afforded under Canadian legislation. Conversely, a person who is residing and working in Canada and is subject to the social security legislation of the United States does not have those periods considered as periods of residence for purposes of the Old Age Security Act.

More Information Concerning Contributions

Revenue Canada, Taxation administers the provisions of the Canada Pension Plan relating to the making of contributions. Questions regarding the obligation of an employee, an employer or a self-employed person to contribute to the Canada Pension Plan as a result of the Canada/United States Agreement, as well as questions concerning continued coverage under the Plan while temporarily posted to work in the United States, should be addressed to:

Source Deductions Division
Revenue Canada, Taxation
OTTAWA, Ontario
KlA 0L8

Applying for Benefits under the Agreement

Additional information about the Agreement and assistance in applying for any of the Canadian or United States benefits described in this summary are available from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest Centre can be found in the federal government listing of the telephone directory under "Health and Welfare Canada". Alternatively, inquiries may be addressed to:

Director
International Operations
Income Security Programs Branch
Health and Welfare Canada
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